Attorney General
Lee Fisher

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November 22, 1993

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Via Overnight Mail

William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D. C. 20554

Re: *In the Matter of the Revision of the Commission's Part 64 Requirements for the Filing of Cost Allocation Manuals by Certain Local Exchange Carriers,* RM 8354

Dear Mr. Caton:

Enclosed please find the original and ten copies of the **Reply Comments Submitted by the Public Utilities Commission of Ohio** in the above-referenced matter. Please return a time-stamped copy to me in the enclosed stamped, self-addressed envelope

Thank you for your assistance in this matter.

Respectfully submitted,

Ann E Henkener

Ann E. Henkener
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AEH/skm

Enclosure

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Before the

FEDERAL COMMUNICATIONS COMMISSION

Washington, D.C. 20554

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In the Matter of:	)	
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Revision of the Commission's	)	
Part 64 Requirements for the	)	
Filing of Cost Allocation	)	RM 8354
RM 8354 Manuals by Certain Local	)	
Exchange Carriers	)	

REPLY COMMENTS SUBMITTED BY THE PUBLIC UTILITIES COMMISSION OF OHIO

The Public Utilities Commission of Ohio (PUCO) hereby submits its reply comments in opposition to the United States Telephone Association (USTA) petition for rulemaking requesting that the FCC amend Section 64.903 (a) of its rules by increasing the annual operating revenue threshold requirement for filing cost allocation manuals (CAMs) from $100 million to $1 billion. The PUCO reiterates its belief that the current FCC requirement to file CAMs with the FCC provides a high level of regulatory control to ensure deregulated costs and revenues are segregated from regulated costs and revenues and that the USTA's petition shifts an unreasonable burden to the FCC and state commissions. CAM compliance costs are not burdensome to the affected carriers and comparable alternative information sources do not exist. If the FCC does consider changes to the criteria by which carriers are required to file CAMs, then we propose an alternative to the USTA revenue threshold recommendation.

Proponents of the USTA petition claim that the cost burden is proportionately greater for the carriers affected by USTA's petition. With the exception of Nevada Bell and the Puerto Rico Telephone Company (PRTC), no quantification of the costs to comply with the CAM requirements was presented. Nevada Bell indicated that compliance costs are about $130,000 per year while PRTC stated that its costs are about $188,000. Expressed as a percent of each company's operating revenues, CAM compliance costs are only about .08% and .03% for Nevada Bell and PRTC, respectively. While CAM compliance costs may be proportionately greater for these companies than some other tier 1 carriers, they nevertheless represent a small percentage of each company's revenue requirement. Conversely, non-regulated revenues as a percent of operating revenues range from about 6% to 12% for the carriers affected by the USTA petition (these percentages are exclusive of Nevada Bell who stated that 3.5% of its total expenses were non-regulated). Thus, the cost of oversight is minimal relative to the potential revenue requirement affect of cross subsidization.

Proponents of the USTA petition also state that alternative information sources are available to assure carrier compliance with CAM requirements. ARMIS, annual access filings, and the USOA were identified as enabling oversight over regulated and non-regulated activities. These information sources are not a substitute for CAMs, rather they are systems that report operating results for carriers in distinct formats while the CAMs prescribe the carrier specific cost allocation procedures between regulated and non-regulated activities. Further, the annual independent auditor verification of CAM compliance provides a considerable degree of assurance of carrier compliance which can not be achieved by reviewing the alternative information sources cited. Thus, the regulatory accounting safeguards provided by the CAM procedures afford assurance that regulated and non-regulated activities are being properly allocated. The above-mentioned alternative information sources are reporting systems and should not be construed as comparable substitutes for CAM participation.

In its comments, MCI Telecommunications Corporation (MCI) suggests that CAM participation requirements be based on factors related to a carrier's incentive and ability to engage in cross subsidization, rather than on the magnitude of its revenues. This has merit because the focus would be on the amount of cross subsidization potential relative to a carrier's unique operating environment, as opposed to an arbitrary revenue threshold. Greater cross subsidization safeguards appear warranted for carriers with proportionately greater amounts of non-regulated activity because of the greater potential impact on regulated revenues and expenses. As an example, the regulator's cross subsidization concern would be greater for a $100 million operating revenue carrier with $10 million of non-regulated revenue than for a $500 million operating revenue carrier with the same amount of non-regulated revenues. Consequently, we would support the development of a specified ratio of non-regulated to regulated revenues as one of the factors used to determine CAM participation by tier 1 carriers.

The PUCO reiterates that the existing CAM rules provide a high level of regulatory control to ensure regulated and non-regulated activities are properly apportioned. CAM participation costs are not burdensome to the affected companies, comparable alternative information sources do not exist, and the responsibility for maintenance and audits of the CAMs should remain with the carriers and not be shifted to the regulator. The current operating revenue threshold to require that CAMs be filed is not unreasonable. However, if the FCC does consider a change to the criteria by which carriers are required to file CAMs, then consistent with MCI's comments we would support using factors related to a tier 1 carrier's incentive and ability to engage in cross subsidization, rather than solely based on the magnitude of its revenues.

Respectfully submitted,

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Dated: November 23, 1993